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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC PRIORITY 4874
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHAR/AMEMBASSY ACCRA 3009
RUEHDS/AMEMBASSY ADDIS ABABA 3124
RUEHRL/AMEMBASSY BERLIN 1553
RUEHBY/AMEMBASSY CANBERRA 2387
RUEHDK/AMEMBASSY DAKAR 2754
RUEHKM/AMEMBASSY KAMPALA 3172
RUEHNR/AMEMBASSY NAIROBI 5617
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
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RHEFDIA/DIA WASHDC
RUEHGV/USMISSION GENEVA 2300
RHEHAAA/NSC WASHDC

C O N F I D E N T I A L HARARE 000711

SIPDIS

AF/S FOR B.WALCH
AF/RSA FOR K.MOODY
DRL FOR N. WILETT
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
STATE PASS TO USAID FOR J. HARMON AND L. DOBBINS
STATE PASS TO NSC FOR SENIOR AFRICA DIRECTOR MICHELLE GAVIN
STATE PASS TO HOUSE FOR STEPHANE LEBOUDER

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [PREL](#) [ZI](#)
SUBJECT: GONO STIRS THE POT ON IMF RESERVES

Classified By: Classified by: CDA Donald Petterson, Reason: 1.4 (b)

11. (C) Finance Minister Tendai Biti has told President Mugabe and the Cabinet that Zimbabwe should use its new allocation of Special Drawing Rights (SDRs) to clear arrears with the international financial institutions as part of a debt reduction strategy. Conrad Nyamurova, an adviser to Biti told us that Mugabe supports this policy, which Biti had also communicated to Mugabe by letter and shared in Cabinet with Mugabe and ministers. Nyamurova also said that Biti had reportedly been in contact with International Monetary Fund (IMF) staff and an IMF executive director to make it clear that, despite the fact that no consultation is mandated, Zimbabwe would not draw on its SDR balance until it had agreed upon a strategy with the IMF. Biti plans to discuss this with IMF staff at the upcoming annual meetings in Istanbul. (NOTE: Biti has also discussed with us and with IMF staff using part of the SDR allocation for a public investment project. END NOTE.)

12. (C) The Governor of the Reserve Bank of Zimbabwe, Gideon Gono, had caused a degree of confusion regarding GOZ policy on the SDR allocation. In an August 28 letter, Gono sought to consult with Biti on "how to access these funds immediately without any media attention." He described the SDR allocation as "a windfall and break through." On September 3 Gono made veiled public reference to a new source of official financing. The next day the state-owned press gave front-page coverage to Gono's self-proclaimed success in winning new support from the IMF in a banner head-lined article, "IMF gives Zim US\$500m". Gono falsely claimed in the article that Zimbabwe had already received the funds.

COMMENT

13. (C) While Biti is dealing with this issue within

government, his bigger problem may be with the public if civil servants, including teachers, believe the government has received a windfall of support and is not using it to raise salaries. Nyamurova said Biti would publicly address the issue in the near future. END COMMENT.

PETTERSON